



Tax Facts

Information for Washington State's Business Community

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Make ELF your New Year's resolution

Simplify your tax filing process today. The Electronic Filing (ELF) program is available 24 hours a day, seven days a week. You can file your tax return anytime and postpone your tax payment until the due date. ELF will also check your return for errors *before* it's filed, saving you time and headaches down the road.

Don't delay - visit the Department's web site at <http://dor.wa.gov/elf/elfcontent.htm> or call 1-877-FILE-ELF (1-877-345-3353) to see if you qualify. ▲

If you need assistance in January . . .

More than 300,000 businesses will file excise tax returns in the next few weeks. To meet the high demand for assistance during this busy time, the Department of Revenue offers a variety of services. See 24-hour automated services on page 4.

To help us provide better service during this busy time, please:

- ◆ Check office hours if you plan to visit one of our local offices — not all offices are open five days a week.
- ◆ Call early in the month with your questions — before January 15th if possible.
- ◆ Avoid the hours of 11:30 a.m. to 1:00 p.m. Three-fourths of our staff members alternate their lunch hours during this time.
- ◆ Use our automated services — as explained on page 4.
- ◆ Have your UBI-DOR tax reporting account number and tax return available.
- ◆ Stay on the line if you need to talk to a representative — we answer every call in the order received.

Tax workshops offered

Want to learn more about your tax responsibilities? Want to feel secure in your tax decisions? Don't pay more than you have to. Here is your chance to sort through it all. The Department offers various tax workshops throughout the year. These workshops are free and provide a basic overview of Washington's tax structure, as well as industry specific information. Participants have the opportunity to ask questions specific to their business activities.

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Sales tax exemption for some nonresidents

Certain nonresidents may purchase tangible personal property tax-exempt. The items purchased must be for use outside Washington State. The exemption is available to residents of the following states or provinces:

- ◆ Alaska
- ◆ Oregon
- ◆ Montana
- ◆ Delaware
- ◆ New Hampshire
- ◆ Virgin Islands
- ◆ Northern Mariana Islands
- ◆ Guam
- ◆ Puerto Rico
- ◆ Yukon
- ◆ Alberta

Note: residents of Idaho and the Province of British Columbia do not qualify for the exemption.

Sellers making exempt sales to qualifying individuals must examine and document one piece of ID.

A nonresident corporation may also qualify for the tax exemption. When selling to nonresident corporations, sellers must examine the corporation's **Nonresident Permit**, which is issued by the Department of Revenue. Sellers must verify the permit was issued to the purchaser and record the permit number.

The exemption does not apply for items used or consumed in this state. For example, restaurant meals do not qualify for the exemption.

Sellers choosing to make exempt sales must follow these instructions. The seller is personally liable for the tax where an exempt sale is made to persons not holding a valid permit or ID where records are not maintained as required.

For more information, refer to RCW 82.08.0273 and Excise Tax Advisory (ETA) 316.08.193. Both the law and ETA are available from the Department's web site. ▲

. . . Tax workshops offered continued from page 1

Construction Industry Tax Workshops provide an overview of Washington State taxes specific to construction activities. This two-hour workshop includes topics such as custom construction, speculative building, government contracting, public road construction and much more. Construction industry workshops are scheduled for January 12 in Olympia, February 14 in Tacoma, and March 13 in Vancouver.

The New Business Outreach Workshops provide an overview of excise taxes that affect businesses in Washington State. Topics include tax-reporting classifications, deductions, sales tax collection, and record-keeping requirements. A free informational reference workbook is provided.

New Business Outreach Schedule			
Date	Location & Registration	Address	Time
1/9/01	Bellingham (360) 676-2068	Dept. of Social and Health Services/ Labor & Industries Building 1720 Ellis Street, Conference Room A	1:00-4:00
1/10/01	Bremerton (360) 478-4961	Dept. of Revenue 4841 Auto Center Way, Suite 201	9:30-11:30
1/16/01	Wenatchee (509) 663-9714	Douglas County Fire Station 377 Eastmont Ave	1:30-4:00
1/17/01	Everett (425) 356-2911	Everett Public Library 2702 Hoyt Avenue	1:30-4:30
1/17/01	Vancouver (360) 260-6176	DOR Training Room 8008 NE Fourth Plain Blvd, Ste 340	1:00-4:00
1/17/01	Spokane (509) 482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg. 4407 N. Division	8:30-11:30; 1:30-4:30
1/17/01	Lakewood (253) 593-2722	Lakewood Library 6300 Wildaire Road SW	1:00-4:00
1/18/01	Bellevue (425) 452-6851	Bellevue City Hall Council Conference Room 11511 Main Street	1:00-4:00
1/24/01	Olympia (360) 753-1551	Dept. of Revenue Target Place Complex 2735 Harrison Ave NW	9:00-12:00
2/7/01	Seattle (206) 956-3002	Dept. of Revenue 2101 4 th Ave, Suite 1400	1:00-4:00
2/7/01	Bremerton (360) 478-4961	Dept. of Revenue 4841 Auto Center Way, Suite 201	9:30-11:30
2/13/01	Bellingham (360) 676-2068	Dept. of Social and Health Services/ Labor & Industries Building 1720 Ellis Street, Conference Room A	1:00-4:00
2/14/01	Lakewood (253) 593-2722	Lakewood Library 6300 Wildaire Road SW	1:00-4:00
2/20/01	Wenatchee (509) 663-9714	Douglas County Fire Station 377 Eastmont Ave	1:30-4:00
2/21/01	Vancouver (360) 260-6176	DOR Training Room 8008 NE Fourth Plain Blvd, Ste 340	1:00-4:00
2/21/01	Spokane (509) 482-3805	Dept. of Revenue 8th floor of Northtown Office Bldg. 4407 N. Division	8:30-11:30; 1:30-4:30

Register for workshops online at <http://dor.wa.gov/menu/services/workshops.htm> or call the Telephone Information Center. Information on future workshops will be posted on the Department's web site. ▲



New Special Notice

WHAT YOU NEED TO KNOW ABOUT ITEMIZING THE B&O TAX explains the tax implications to sellers that choose to itemize the B&O tax as a separate cost item on customers' invoices. Issued September 5, 2000. (*Fast Fax code 788*) ▲

Excise Tax Advisory update

Excise Tax Advisory (ETA) 2003 identifies those ETAs repealed, effective June 30, 2000. It also gives the reason for cancellation. ▲

Note: A copy of the Special Notice and ETA are available on the Department's web site, through Fast Fax, or by calling the Telephone Information Center.

Q&A

Q. I provide software training, do I need to collect sales tax?

A. With all the computer software on the market, many companies are providing training in the use of their software. Sometimes the cost of the training is included in the price of the software, while some companies make a separate charge. The taxability of the training depends upon: 1) what type of software it is and 2) how the training is billed.

"Custom software" is software created for sale to a single person. Custom software and the training associated with it are not subject to the retail sales tax. This is true whether the training is

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Rule changes



The Department publishes tax rules to assist taxpayers in accurately reporting their tax liability. As a result of recent tax law changes, the following Washington Administrative Codes (WAC) have been revised.

Rules adopted

WAC 458-40-650
(*Fast Fax code 3650*)

Timber excise tax—Timber quality codes defined. *Adopted September 19, 2000. Effective January 1, 2001.*

WAC 458-57-035
(*Fast Fax code 2006*)

Washington estate tax return to be filed—Penalty for late filing—Interest on late payments—Waiver or cancellation of penalty—Application of payment. *Adopted September 7, 2000. Effective October 10, 2000.*

WAC 458-57-045
(*Fast Fax code 2007*)

Administration of the tax—Releases, amended returns, refunds, heirs of escheat estates. *Adopted September 7, 2000. Effective January 7, 2000.*

Rules repealed

WAC 458-12-125

Situs of personalty—Merchants and manufacturers. (Property tax rule.) *Effective November 25, 2000.*

WAC 458-20-130

Sales of real property, standing timber, minerals, natural resources. (Excise tax rule.) *Effective November 25, 2000.*

WAC 458-20-161

Persons buying or producing wheat, oats, dry peas, corn, barley, dry beans, lentils, and triticale and making sales thereof. (Excise tax rule.) *Effective November 25, 2000.*

WAC 458-20-213

Oil company bulk station agents. (Excise tax rule.) *Effective November 25, 2000.*

WAC 458-20-234

Business tax on flour millers, manufacturers of soybean or sunflower oil. (Excise tax rule.) *Effective November 25, 2000.*

WAC 458-20-237

Retail sales tax collection schedules. (Excise tax rule.) *Effective November 25, 2000.*

WAC 458-12-390

State levy—Fertilizers and insecticides held by farmers—Inventory. (Property tax rule.) *Effective November 25, 2000.* ▲

Local sales tax changes for 2000

Effective Date	Location	Location Code	Rate Change (Increase)	Current Rate of Sales/Use Tax
2-1-00	Unincorporated Whatcom Co.	3700	0.1%	7.6%
2-1-00	Remainder of Whatcom Co.	3701-3737	0.1%	7.9%
2-1-00	All areas of Whitman Co.	3800-3816	0.1%	7.6%
3-1-00	City of Asotin	0201	0.5%	7.5%
6-1-00	All areas of Grays Harbor Co.	1400-1409	0.3%	8.2%
10-1-00	All areas of Island Co.	1500-1503	0.3%	8.3%

included in the price or billed separately. The seller of custom software and training is subject to tax under the Service and Other Activities classification of the business and occupation (B&O) tax.

“Canned software” is software created for sale to more than one person. Canned software is subject to sales tax. The training associated with canned software is also subject to sales tax when it is included in the price of the software. In this case, the seller, in addition to collecting the sales tax, is subject to the B&O tax under the Retailing classification. Providing training in the use of canned software is not subject to sales tax when the training is segregated

in the contract and separately billed on the sales invoice. These charges are subject to the Service B&O tax.

The sales tax does not apply to software training when it is not associated with the purchase or sale of software. In addition, sales tax does not apply to charges made for seminars, classes, workshops, and other presentations that are not associated with the purchase or sale of a product.

Q. Why is my vendor charging me a B&O tax?

A. The business and occupation (B&O) tax is a cost of doing business the same as any other business expense. Generally, a business recovers its business expenses through its pricing structure and does not itemize expenses on invoices to customers. However, a few businesses choose to itemize the B&O tax. Although the statute intends the B&O tax to be a part of a seller's overhead, there is nothing in the statute that prevents a seller from itemizing the amount of tax on an invoice. A seller that chooses to itemize the tax on customer invoices must include this amount as part of the gross proceeds of sales subject to B&O tax and/or selling price subject to the retail sales tax. ▲



24-hour automated services

The Department of Revenue Telephone Information Center offers several automated services. With the exception of *Tax Express* and Revenue's web site, you can access any of these services by calling 1-800-647-7706. Listen to the menu and select the option you wish to use.

Fast Fax — Transmit documents directly to your fax machine. For a list of available documents, enter code 500#. To bypass menu selections, call (360) 786-6116.

Workshops — Call to attend one of the Tax Information Workshops.

Vehicle or vessel fraud — Report vehicle or vessel licensing fraud.

Address changes — Notify us if you have moved or changed your mailing address.

Business closures — Notify us if you have closed or sold all or part of your business. If you've sold your business, tell us who you sold the business to and whether you'll continue to do business under your UBI/tax registration number.

Master Applications — Request a new Master Application if you're changing your business structure (legal entity), changing or adding a trade name, opening a new location, reopening a closed business, divorcing and your spouse is no longer responsible for the business, changing your principal product or service and a license from another agency is required, or transferring the majority of a corporation's stock to different individuals.

Copies of rules, laws, or other departmental publications — Request a rule, law, or other publication. An order form listing the Department's fact sheets and brochures is available via *Fast Fax*, code 501#.

Proposed rules — Leave informal comments on proposed rule changes or ask to be placed on a mailing list to receive notice of future proposed rule-making actions.

Delinquent notices/no tax returns — Clear the delinquency if you have received a delinquent notice and you have no business to report.

Duplicate tax returns — Request a new tax return be faxed or mailed if you've misplaced your tax return. Have your UBI/tax registration number ready when calling.

Tax Express — Listen to prerecorded tax information by calling 1-800-334-8969. To listen to the topic of your choice, enter the three-digit code. To receive a list of topics and codes, call 1-800-647-7706 and leave a message with the automated voice attendant.



Revenue's web site — See what's new on our web site: <http://dor.wa.gov>

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 753-3217. Teletype (TTY) users, please call 1-800-451-7985.

Prepared by the Taxpayer Services Division



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